

Sustaining CSS beyond HOPE VI

- Partnerships and leveraging that continue after HOPE VI
- Increase funding services from other grants or income sources:
 - Grants
 - Use nonprofits (affiliated vs. independent)
 - Endowment trust

Sustainability thru Partnerships

- Providing space to an organization that has its own funding
- Working together with partners to jointly come up with funding to continue services (grants, etc.)
- Try to incorporate more use of volunteers

Grants

- HUD grants (ROSS, FSS)
- Other federal grants
- State grants
- Local foundations and corporations

Form a nonprofit

- Some PHAs have formed nonprofit subsidiaries to assist them.
- HACM helped to form a 501 (c) (3) called Friends of Housing Corporation in 1996.
- Its mission is to develop high quality housing and provide innovative housing management that generates economic opportunity for its residents and collaborate with others whenever possible.

Start up of Friends of Housing

- At first, Friends of Housing was tied to HACM since:
 - Exec Director was former HACM manager
 - Formed with assistance from HACM
 - Loaned Friends \$50,000 for start-up costs (later repaid)
 - Couple HACM/City employees on the initial Friends Board
 - No promises about getting business from us; they would have to compete
- HACM put out an RFP for managing one property as an experiment
- While all transactions were at arms-length, HUD still had concerns about independence (“identity of interest”), so in 1998 Friends was made a completely independent entity (no HACM or City employees on Board, etc.)

Why help to form a nonprofit?

- Issues with union, plus higher cost of city employeeswanted to form a competitive model. Friends can operate with more flexibility than HACM.
- At the time, HUD was beginning to encourage “outside management”
- As a nonprofit, Friends has access to a range of funding sources unavailable to HACM

Friends of Housing Corp. today

- Since the start with one outside-managed property, HACM has continued to slowly increase the number of developments managed by outside entities
- For HACM, Friends now manages 10 sites
- HACM is not their only client--Friends manages a total portfolio of 20 properties with almost 1,800 units. 33 employees; annual budget of \$3.1 million
- Friends now has experience managing public housing, tax credit, Section 202, project-based Section 8, and market rate units.

Outcomes

- Several properties were in effect “turned around” within six months as a result of Friends stepping in as property manager:
 - operating costs were reduced 17% without any reduction in quality of service;
 - occupancy levels rose from 93% to 99%;
 - unit turnaround time was reduced from an average of 45 days to 8 days;
 - tenant accounts receivable was reduced from an average of 6.2% to 1.6%.

Friends and CSS

- As a 501 (c) (3), Friends has access to money that a PHA can't easily access
- They have been a good partner in going after grant funding, if it fits within their mission:
 - ROSS funds—Have received several ROSS-Elderly grants
 - Section 202 funding
 - Foundation and corporate grants

Endowments

- Beginning in 2000, HUD began allowing endowments to be formed as a tool for HOPE VI sustainability.
- Up to 15% of the HOPE VI grant can be used for CSS, which includes setting up an endowment trust to provide long-term funding of CSS programs.

Why an endowment?

- Increase in mixed finance developments
 - +
 - New asset management and project-based accounting
- = It is more and more difficult to pay for CSS services in mixed finance devts.

Process for an Endowment

- Should be included in proposal/budget, at least for an estimated amount
- Should be part of the CSS plan/budget
- Selection/determination of Investment fund manager/trustee
- Submission of documents to HUD for approval and HOPE VI grant addendum

Fund manager

- Milwaukee selected the Greater Milwaukee Foundation (GMF) to assist in managing fund.
- GMF helps persons and charities establish permanent charitable funds. Within the Foundation are more than 800 charitable funds, ranging in size from less than \$10,000 to more than \$25 million.
- Donors set up a process to select grant recipients from their fund.

Endowment Trust

- Plan is to use income first to fund CSS projects, and try to save the principal.
- Addendum to HOPE VI grant agreement states:
 - Funds shall be used “solely for planning, providing, and evaluating community & social services for the primary benefit of the public housing residents, and former residents of the xxx development.”

Milwaukee's Endowments

- Milwaukee's Townhomes at Carver Park was only the 2nd Endowment Trust approved by HUD
- Milwaukee now has a total of 3 endowments that have been approved and funded:
 - Townhomes at Carver Park: \$900,000
 - Highland Park: \$303,545 (+ \$936,809 waiting for approval)
 - Scattered Sites: \$700,000
- As of 12/31/07, \$100,739 in income avail to spend.

Questions on Endowments:

- HUD: Leigh van Rij 1-202-402-5788

Asset building in Milwaukee

- FSS escrow accounts
- Financial literacy training
- Individual Development accounts (IDAs)
- Homeownership program